

Medicare Prescription Drug Benefit in Region 7 – Virginia

Medicare Prescription Drug Benefit

One of the most important provisions in the new Medicare law was the establishment of a Medicare outpatient prescription drug benefit. Beginning in 2006, the new prescription drug benefit will allow all Medicare beneficiaries to enroll in drug coverage through a prescription drug plan or Medicare health plan with Medicare paying 75 percent of the premium on average more for low-income beneficiaries. The drug benefit includes beneficiary protections intended to make sure that all beneficiaries have coverage for medically necessary drugs through nearby pharmacies. Drug plans would be subject to many of the existing beneficiary protections that are available in Medicare, as well as some new ones, including requirements to meet strict pharmacy access standards to give beneficiaries access to retail pharmacies and needed drugs.

The prescription drug benefit relies on market competition to keep quality high and costs low for Medicare beneficiaries and the American taxpayer. To ensure that beneficiaries have access to both prescription drug plans (PDPs) – if they wish to remain in traditional fee-for-service Medicare – and Medicare Advantage (MA) plans – if they wish to receive all of their health care services through one plan – the plans will be paid based on competitive bids for the region or county.

The PDP Regions are designed to:

- Give all Medicare beneficiaries the opportunity to enroll in a MA-PD or PDP;
- Give beneficiaries the greatest amount of choice by encouraging the largest number of potential PDPs to participate; and
- Create the greatest amount of price competition possible among PDPs, resulting in more competitive and affordable costs for enrollees.

Approach to Establishing Regions

In establishing the regions, CMS conducted extensive research, input and feedback from plans, beneficiaries and others. This research included consideration of the number of eligibles, current state of access to pharmacies as well as estimated drug expenditures in a region. The goal of this approach is to help ensure that Medicare beneficiaries living in underserved areas, such as rural areas of a state, have access to PDPs.

Region 7

- Eligible Population. This region provides an adequate population of about 980,000 eligibles to assure PDP viability but is not too large to impair start-up and enrollment capacity in the first year.
- Beneficiary Considerations. This region contains one of the two states in MA Region 7.
- Limited Variation in Prescription Drug Spending. Nationally, there is a 43% difference between the highest and lowest estimated average prescription drug spending in states by individuals age 65 and over in 2006. As a single state region, there is no state-to-state variation.

How Beneficiaries in Region 7 Will Benefit

- MMA provides all of the approximately 980,000 million beneficiaries in Region 7 with access to a Medicare prescription drug benefit – for the first time in the history of the Medicare program – beginning in January 2006.
- Beginning in 2006, MMA will give about 187,000 Medicare beneficiaries in Region 7 access to drug coverage they would not otherwise have and will improve coverage for many more.
- About 302,000 beneficiaries in Region 7 who have limited savings and low incomes (generally below 135% of poverty, \$12,569 for individuals and \$16,862 for couples in 2004) will qualify for even more generous coverage. They will pay no premium for their prescription drug coverage, and they will be responsible for a nominal co-payment (no more than \$2 for generic drugs or \$5 for brand name drugs).
- About 84,000 additional low-income beneficiaries in Region 7 with limited savings and incomes below 150% of poverty (\$13,965 for individuals and \$18,735 for couples in 2004) will qualify for reduced premiums, a \$50 deductible, 15% coinsurance, and no gaps in coverage.
- Additionally, Medicare, instead of Medicaid, will now assume the prescription drug costs of about 98,000 beneficiaries in Virginia who are dually eligible for both Medicare and Medicaid. These seniors generally will pay \$1 for generic drugs or \$3 for brand name drugs. Seniors in nursing homes will pay nothing.